

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **KAWKAWLIN TOWNSHIP**

Bay County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2006

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## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Kawkawlin Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kawkawlin Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kawkawlin Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township's Sewer and Water Funds are administered as Agency Funds of the Bay County Department of Water and Sewer. These Township funds are not included in the Township's basic financial statements as required by accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of not including the Township's business-type activities in the basic financial statements, the financial statements referred to above do not purport to present fairly, the financial position of all fund types of Kawkawlin Township as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2006, on our consideration of Kawkawlin Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kawkawlin Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

November 1, 2006

## ***BASIC FINANCIAL STATEMENTS***

# KAWKAWLIN TOWNSHIP

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## STATEMENT OF NET ASSETS

March 31, 2006

	<i><b><u>Governmental Activities</u></b></i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,015,699
Receivables	284,168
Capital assets:	
Nondepreciable capital assets	5,000
Depreciable capital assets, net	<u>697,192</u>
 Total assets	 <u>2,002,059</u>
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	33,358
Long-term liabilities:	
Due within one year	154,389
Due in more than one year	<u>267,840</u>
 Total liabilities	 <u>455,587</u>
 <b>Net assets:</b>	
Invested in capital assets, net of related debt	279,963
Unrestricted	<u>1,266,509</u>
 Total net assets	 <u><u>\$ 1,546,472</u></u>

*The accompanying notes are an integral part of these financial statements.*

# KAWKAWLIN TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental Activities:</b>					
General government	\$ 273,183	\$ 63,652	\$ 1,017	\$ -	\$ (208,514)
Public safety	244,260	52,399	4,799	78,137	(108,925)
Public works	550,110	286,307	8,961	-	(254,842)
Community and economic development	17,284	-	-	-	(17,284)
Recreation and culture	13,414	2,410	-	-	(11,004)
Interest on long-term debt	14,546	-	-	-	(14,546)
Total governmental activities	<u>1,112,797</u>	<u>404,768</u>	<u>14,777</u>	<u>78,137</u>	<u>(615,115)</u>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purpose					185,253
Property taxes, levied for fire					123,016
Franchise taxes					28,649
Grants and contributions not restricted to specific programs					350,809
Unrestricted investment earnings					41,715
Miscellaneous					<u>4,424</u>
Total general revenues					<u>733,866</u>
Change in net assets					118,751
Net assets, beginning of year, restated					<u>1,427,721</u>
Net assets, end of year					<u>\$ 1,546,472</u>

The accompanying notes are an integral part of these financial statements.



# KAWKAWLIN TOWNSHIP

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<i>General Fund</i>	<i>Fire Fund</i>	<i>Trash Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 796,155	\$ 568	\$ 39,104	\$ 179,872	\$ 1,015,699
Taxes receivable	12,256	8,484	16,534	186	37,460
Accounts receivable	65,937	-	-	-	65,937
Special assessments receivable	122,730	-	-	-	122,730
Due from other governmental units	58,041	-	-	-	58,041
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,055,119</u>	<u>\$ 9,052</u>	<u>\$ 55,638</u>	<u>\$ 180,058</u>	<u>\$ 1,299,867</u>
<b>Liabilities and Fund Balances:</b>					
<i>Liabilities:</i>					
Accounts payable					
and accrued expenses	\$ 12,732	\$ 3,228	\$ 16,800	\$ 598	\$ 33,358
Deferred revenue	122,730	-	-	-	122,730
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>135,462</u>	<u>3,228</u>	<u>16,800</u>	<u>598</u>	<u>156,088</u>
<i>Fund balances:</i>					
Unreserved:					
General fund	919,657	-	-	-	919,657
Special revenue funds	-	5,824	38,838	179,460	224,122
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>919,657</u>	<u>5,824</u>	<u>38,838</u>	<u>179,460</u>	<u>1,143,779</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 1,055,119</u>	<u>\$ 9,052</u>	<u>\$ 55,638</u>	<u>\$ 180,058</u>	<u>\$ 1,299,867</u>

*The accompanying notes are an integral part of these financial statements.*

# KAWKAWLIN TOWNSHIP

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

**Total fund balances for governmental funds** \$ 1,143,779

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	1,110,296	
Less accumulated depreciation	<u>(408,104)</u>	702,192

Deferred revenues reported in the governmental funds are recognized as  
revenues for the governmental activities. 122,730

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Contracts payable	<u>(422,229)</u>
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**Net assets of governmental activities** \$ 1,546,472

*The accompanying notes are an integral part of these financial statements.*

# KAWKAWLIN TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<i>General Fund</i>	<i>Fire Fund</i>	<i>Trash Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>					
Property taxes	\$ 185,253	\$ 123,016	\$ -	\$ -	\$ 308,269
Licenses and permits	28,649	-	-	52,399	81,048
Federal grants	-	78,137	-	-	78,137
State grants	358,763	-	-	1,814	360,577
Contributions from other units	16,273	2,985	-	-	19,258
Charges for services	7,636	-	206,302	18,040	231,978
Interest and rents	56,328	-	-	-	56,328
Other revenue	85,436	-	(148)	13,144	98,432
Total revenues	<u>738,338</u>	<u>204,138</u>	<u>206,154</u>	<u>85,397</u>	<u>1,234,027</u>
<b>Expenditures:</b>					
Current					
General government	218,030	-	-	29,498	247,528
Public safety	111,776	30,466	-	47,396	189,638
Public works	266,174	-	198,758	2,738	467,670
Community and economic development	15,805	-	-	-	15,805
Recreation and culture	12,840	-	-	-	12,840
Other	24,658	-	-	-	24,658
Capital outlay	9,100	120,144	-	-	129,244
Debt service					
Principal	-	59,627	-	-	59,627
Interest and fess	-	14,546	-	-	14,546
Total expenditures	<u>658,383</u>	<u>224,783</u>	<u>198,758</u>	<u>79,632</u>	<u>1,161,556</u>
Excess (deficiency) of revenues over expenditures	79,955	(20,645)	7,396	5,765	72,471
<b>Other financing sources (uses):</b>					
Proceeds from loan	<u>-</u>	<u>23,809</u>	<u>-</u>	<u>-</u>	<u>23,809</u>
Total other financing sources (uses)	<u>-</u>	<u>23,809</u>	<u>-</u>	<u>-</u>	<u>23,809</u>
Net change in fund balance	79,955	3,164	7,396	5,765	96,280
Fund balances, beginning of year, restated	<u>839,702</u>	<u>2,660</u>	<u>31,442</u>	<u>173,695</u>	<u>1,047,499</u>
Fund balances, end of year	<u>\$ 919,657</u>	<u>\$ 5,824</u>	<u>\$ 38,838</u>	<u>\$ 179,460</u>	<u>\$ 1,143,779</u>

The accompanying notes are an integral part of these financial statements.

# KAWKAWLIN TOWNSHIP

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

**Net change in fund balances - total governmental funds** \$ 96,280

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	116,735	
Less depreciation expense	<u>(45,163)</u>	71,572

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. (1,620)

Proceeds from loans are other financing sources in governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (23,809)

Repayments of principal on contracts and loans are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 65,559

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Road Commission contract payable	<u>(89,231)</u>
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**Change in net assets of governmental activities** \$ 118,751

*The accompanying notes are an integral part of these financial statements.*

# KAWKAWLIN TOWNSHIP

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*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	<i><u>Agency Fund</u></i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 71,907
<b>Liabilities:</b>	
Accounts payable	65,937
Due to other governmental units	<u>5,970</u>
Total liabilities	<u>71,907</u>
<b>Net Assets:</b>	
Unrestricted	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Kawkawlin Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township, except as discussed below, and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

The basic financial statements do not include the Township's Water and Sewer Funds as required by accounting principles generally accepted in the United States of America.

#### **Joint Ventures – Water and Sewer System:**

***Bay County Department of Water and Sewer:*** The Township is a participant in the Bay County Department of Water and Sewer (DWS). The DWS operates various water and sewer lines for the Township as well as approximately 12 other governmental units in Bay County. The water and sewer lines are constructed and financed under varying scenarios. Certain debts issued by the DWS are general obligations of Bay County; however, the DWS participants are primarily responsible for most of the DWS debt issues.

The DWS participants, including Kawkawlin Township, have sole authority to set rates and are financially responsible for the integrity of their water and sewer systems operated by the Bay County DWS. The DWS only acts in a fiduciary capacity for the participants. The ownership of the water and sewer system capital assets and related debts resides with the local governmental units.

***Financial Statements:*** The Township's Sewer and Water Funds that are handled as Agency Funds by the Bay County DWS are not included in these financial statements. Separate financial statements for these funds are available from Bay County Department of Water and Sewer, 3933 Patterson Road, Bay City, Michigan, 48706.

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts (1) invested in capital assets, net of related debt and (2) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

#### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.



# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Fire Fund** is used to account for a tax levy for the purpose of providing fire protection.

The **Trash Fund** is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	10-20 years

**Compensated Absences** – It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Property Taxes:**

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with a final collection date of February 28 before they are added to the County tax rolls.

The 2005 taxable valuation of the Township's real and personal property totaled \$124,041,489, on which ad valorem taxes levied consisted of 1.1370 mills for the Township's operating purposes and .9936 mills for an extra voted millage for fire.

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget by fund for each year is submitted to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

#### **State Construction Code Act:**

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ -
Current year building permit revenue	52,399
Related expenses:	
Direct costs	42,396
Indirect costs	10,003
Cumulative surplus at March 31, 2006	<u>\$ -</u>

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,029,041 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$360,489 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2006.

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 4: CAPITAL ASSETS

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Governmental activities capital asset activity for the year ended March 31, 2006 was as follows:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Depreciable capital assets:				
Buildings and improvements	203,000	-	-	203,000
Equipment	<u>795,561</u>	<u>116,735</u>	<u>(10,000)</u>	<u>902,296</u>
Total depreciable capital assets	998,561	116,735	(10,000)	1,105,296
Accumulated depreciation	<u>(372,941)</u>	<u>(45,163)</u>	<u>10,000</u>	<u>(408,104)</u>
Depreciable capital assets, net	<u>625,620</u>	<u>71,572</u>	<u>-</u>	<u>697,192</u>
Governmental activities, capital assets, net	<u>\$ 630,620</u>	<u>\$ 71,572</u>	<u>\$ -</u>	<u>\$ 702,192</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 4,060
Public safety	<u>41,103</u>
Total governmental activities	<u>\$ 45,163</u>

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### NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	<u>\$ 122,730</u>	<u>\$ -</u>

# KAWKAWLIN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b>Governmental Activities</b>					
<b>Contracts Payable:</b>					
Fire Truck and Refinancing	4/1/05-12/1/10	3.97%	\$53,079-68,361	\$ 492,439	\$ 310,994
Road Commission Contract				\$ 89,631	\$ 89,631
Fire Rescue Truck	11/4/05-9/4/10	4.14%	\$1,805-3,000	\$ 23,809	\$ 22,004

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Contracts Payable:</b>					
Fire Truck and Refinancing	\$ 368,816	\$ -	\$ (57,822)	\$ 310,994	\$ 60,697
Road Commission Contract	5,932	89,231	(5,932)	89,231	89,231
Fire Rescue Truck	-	23,809	(1,805)	22,004	4,461
Total governmental activities					
- long-term liabilities	<u>\$ 374,748</u>	<u>\$ 113,040</u>	<u>\$ (65,559)</u>	<u>\$ 422,229</u>	<u>\$ 154,389</u>

Annual debt service requirements to maturity for the above bonds and loans are as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 154,389	\$ 12,077	\$ 166,466
2008	67,800	9,435	77,235
2009	70,550	6,686	77,236
2010	73,410	3,824	77,234
2011	56,080	921	57,001
	<u>\$ 422,229</u>	<u>\$ 32,943</u>	<u>\$ 455,172</u>

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	<u><i>Governmental Activities</i></u>
<b>Receivables:</b>	
Property taxes	\$ 37,460
Accounts	65,937
Special assessments	122,730
Intergovernmental	<u>58,041</u>
Total receivables	<u>\$ 284,168</u>
<b>Accounts payable and accrued expenses:</b>	
Accounts	\$ 32,618
Payroll	<u>740</u>
Total accounts payable and accrued expenses	<u>\$ 33,358</u>

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### NOTE 8: INTERFUND BALANCES AND TRANSFERS

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There were no interfund receivable and payable balances at March 31, 2006.

There were no interfund transfers during fiscal year 2006.

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### NOTE 9: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Defined Contribution Pension Plan:**

**Plan Description** – The Township has a defined contribution pension plan for covering substantially all full-time employees. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

**Insurer** – The Manufacturers Life Insurance/John Hancock Company.

**Contributions** – Employer contributions for each participant will be 2% of base wages for fire personnel and 3.8% of base wages for all other.

**Plan Activity** – During the year ended March 31, 2006, the Township contributed \$11,770 to the plan.

#### **Post Employment Benefits and Deferred Compensation Plan:**

The Township offers no post employment benefits to its retirees and no deferred compensation plan.

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### NOTE 11: PRIOR PERIOD ADJUSTMENT

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#### **Corrections:**

State shared revenue of \$54,120 received May 2, 2005, should have been recorded as a March 31, 2005 receivable. Accounts payable of \$65,240 should have been recorded as of March 31, 2005. Additional cash in the tax account of \$19,060 should have been recorded as a receivable in the General Fund as of March 31, 2005. A cash “investment” reported on the March 31, 2005 financial statements as \$7,034 cannot be reconciled to cash in any bank account. The balance should be adjusted to zero. The effect on beginning fund balances of the Governmental Funds is as follows:

Fund balances, previously stated, as of 3/31/05	\$ 1,046,593
Add: State shared revenue for sales tax that should have accrued to prior year	54,120
Less: Accounts payable that should have been accrued to prior year	(65,240)
Add: Cash in tax account that should have been accrued to prior year	19,060
Less: Cash shown as investments on prior year report that is unaccounted for	<u>(7,034)</u>
Fund balance, restated, as of 3/31/05	<u>\$ 1,047,499</u>



# KAWKAWLIN TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### GAAP departure:

The March 31, 2005 Statement of Net Assets included \$6,989,448 of water and sewer capital assets, net of depreciation and \$1,385,209 of water and sewer long-term debt under Governmental Activities. The Township's Sewer and Water Funds are administered as Agency Funds of the Bay County Department of Water and Sewer and audited by other auditors.

### Corrections:

Deferred revenues reported in the governmental funds should be recognized as revenues for the governmental activities if the revenues have been earned.

The effect on beginning net assets of the Governmental Activities is as follows:

Net assets, previously stated, as of 3/31/05	\$ 6,906,704
Add: Cumulative corrections to 3/31/05 fund balances of Governmental Funds	906
Less: Water and sewer capital assets, net of depreciation	(6,989,448)
Add: Water and sewer long-term debt	1,385,209
Add: Deferred revenue from special assessments	<u>124,350</u>
Net assets, restated, as of 3/31/05	<u>\$ 1,427,721</u>

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## NOTE 12: CONTINGENT LIABILITY

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The Township received a federal grant from Michigan Strategic Funds passed through the Michigan Economic Development Corporation in the amount of \$530,000 for an infrastructure project which required certain matching contributions from the Township and private companies. The matching requirements were not fully met. The Township may be required to repay a portion of or the full amount of grant funds.

***REQUIRED SUPPLEMENTAL INFORMATION***

# KAWKAWLIN TOWNSHIP

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
Property taxes	\$ 187,200	\$ 187,200	\$ 185,253	\$ (1,947)
Licenses and permits	22,500	22,500	28,649	6,149
State grants	349,154	349,154	358,763	9,609
Contributions from other units	11,200	11,200	16,273	5,073
Charges for services	15,795	15,795	7,636	(8,159)
Interest and rents	30,380	27,745	56,328	28,583
Other revenue	<u>126,000</u>	<u>126,000</u>	<u>85,436</u>	<u>(40,564)</u>
 Total revenues	 <u>742,229</u>	 <u>739,594</u>	 <u>738,338</u>	 <u>(1,256)</u>
 <b>Expenditures:</b>				
Current				
General government	212,267	228,069	218,030	(10,039)
Public safety	105,383	115,465	111,776	(3,689)
Public works	256,442	266,366	266,174	(192)
Community and economic development	15,850	16,400	15,805	(595)
Recreation and culture	12,200	15,355	12,840	(2,515)
Other	27,600	33,104	24,658	(8,446)
Capital outlay	<u>112,487</u>	<u>112,776</u>	<u>9,100</u>	<u>(103,676)</u>
 Total expenditures	 <u>742,229</u>	 <u>787,535</u>	 <u>658,383</u>	 <u>(129,152)</u>
 Net change in fund balance	 -	 (47,941)	 79,955	 127,896
 Fund balance, beginning of year, restated	 <u>839,702</u>	 <u>839,702</u>	 <u>839,702</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 839,702</u>	 <u>\$ 791,761</u>	 <u>\$ 919,657</u>	 <u>\$ 127,896</u>

# KAWKAWLIN TOWNSHIP

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## SPECIAL REVENUE FUND – FIRE FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 137,000	\$ 137,000	\$ 123,016	\$ (13,984)
Federal grants	-	78,000	78,137	137
Contributions from other units	-	-	2,985	2,985
Total revenues	<u>137,000</u>	<u>215,000</u>	<u>204,138</u>	<u>(10,862)</u>
<b>Expenditures:</b>				
Current				
Public safety	32,100	32,774	30,466	(2,308)
Capital outlay	32,900	126,109	120,144	(5,965)
Debt service				
Principal	59,630	59,630	59,627	(3)
Interest and fees	<u>12,370</u>	<u>14,546</u>	<u>14,546</u>	<u>-</u>
Total expenditures	<u>137,000</u>	<u>233,059</u>	<u>224,783</u>	<u>(8,276)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(18,059)</u>	<u>(20,645)</u>	<u>(2,586)</u>
<b>Other financing sources:</b>				
Proceeds from loan	<u>-</u>	<u>23,809</u>	<u>23,809</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>23,809</u>	<u>23,809</u>	<u>-</u>
Net change in fund balance	-	5,750	3,164	(2,586)
Fund balance, beginning of year, restated	<u>2,660</u>	<u>2,660</u>	<u>2,660</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,660</u>	<u>\$ 8,410</u>	<u>\$ 5,824</u>	<u>\$ (2,586)</u>

# KAWKAWLIN TOWNSHIP

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## *SPECIAL REVENUE FUND – TRASH FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<i><b>Budgeted Amounts</b></i>		<i><b>Actual</b></i>	<i><b>Actual</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>		<i><b>Over (Under) Final Budget</b></i>
<b>Revenues:</b>				
Charges for services	\$ 207,400	\$ 207,400	\$ 206,302	\$ (1,098)
Other revenue	-	-	(148)	(148)
Total revenues	<u>207,400</u>	<u>207,400</u>	<u>206,154</u>	<u>(1,246)</u>
<b>Expenditures:</b>				
Current				
Public works	<u>198,288</u>	<u>198,780</u>	<u>198,758</u>	<u>(22)</u>
Total expenditures	<u>198,288</u>	<u>198,780</u>	<u>198,758</u>	<u>(22)</u>
Net change in fund balance	9,112	8,620	7,396	(1,224)
Fund balance, beginning of year, restated	<u>31,442</u>	<u>31,442</u>	<u>31,442</u>	<u>-</u>
Fund balance, end of year	<u>\$ 40,554</u>	<u>\$ 40,062</u>	<u>\$ 38,838</u>	<u>\$ (1,224)</u>

***OTHER SUPPLEMENTAL INFORMATION***

# KAWKAWLIN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Current taxes:***

Property taxes	\$ 141,036
Trailer tax	1,347
Administration fees	1,497
Payment in lieu of taxes	<u>41,373</u>
	<u>185,253</u>

***Licenses and permits:***

CATV franchise fees	<u>28,649</u>
	<u>28,649</u>

***State grants:***

State revenue sharing - sales tax	350,809
Other	<u>7,954</u>
	<u>358,763</u>

***Contributions from other units:***

Other	<u>16,273</u>
	<u>16,273</u>

***Charges for services:***

Cemetery fees	1,500
Zoning/Variance fees	2,410
Other	<u>3,726</u>
	<u>7,636</u>

***Interest and rents:***

Interest	41,715
Rents	<u>14,613</u>
	<u>56,328</u>

***Other revenue:***

Reimbursements	859
Sewer and water connection fees	80,153
Other	<u>4,424</u>
	<u>85,436</u>

Total revenues	<u><u>\$ 738,338</u></u>
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# KAWKAWLIN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

#### *General Government:*

##### *Board:*

Personnel	\$ 9,323
Fringe benefits	1,801
Supplies	6,198
Contracted services	11,474
Mileage	10,060
Dues and memberships	3,624
Printing and publications	795
Insurance	9,711
Other	1,634
	<u>54,620</u>

##### *Supervisor:*

Personnel	<u>21,134</u>
	<u>21,134</u>

##### *Clerk:*

Personnel	<u>23,610</u>
	<u>23,610</u>

##### *Tax Administration:*

Supplies	2,423
Contracted services	6,489
Printing and publications	78
	<u>8,990</u>

##### *Board of Review:*

Personnel	575
Mileage	35
Printing and publications	111
	<u>721</u>

##### *Treasurer:*

Personnel	<u>23,367</u>
	<u>23,367</u>

##### *Assessor:*

Personnel	30,369
Fringe benefits	265
Supplies	200
Contracted services	700
Mileage	1,899
Dues and memberships	75
	<u>33,508</u>



# KAWKAWLIN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

***General Government, continued:***

*Elections:*

Personnel	\$ 1,790
Supplies	1,378
Contracted services	417
Printing and publications	111
	<u>3,696</u>

*Building and Grounds:*

Personnel	12,616
Fringe benefits	1,011
Supplies	767
Contracted services	1,920
Telephone	2,743
Insurance	2,427
Utilities	13,554
Repairs and maintenance	13,346
	<u>48,384</u>

Total general government	<u>218,030</u>
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***Public Safety:***

*Police/Road Patrol:*

Contracted services	<u>6,292</u>
	<u>6,292</u>

*Fire Department:*

Personnel	94,405
Fringe benefits	5,219
Contracted services	774
Mileage	4,576
Dues and memberships	412
Other	98
	<u>105,484</u>

Total public safety	<u>111,776</u>
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***Public Works:***

*Drains - Public Benefit:*

Contracted services	<u>9,228</u>
	<u>9,228</u>

*Roads:*

Contracted services	242,723
Repairs and maintenance	232
	<u>242,955</u>

# KAWKAWLIN TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

<i>Street Lighting:</i>	
Utilities	\$ 7,980
	<u>7,980</u>
<i>Water/Sewer Extensions:</i>	
Contracted services	2,113
	<u>2,113</u>
<i>Storm Sewer and Drains:</i>	
Contracted services	3,898
	<u>3,898</u>
 Total public works	 <u>266,174</u>
 <i>Community and Economic Development:</i>	
<i>Planning:</i>	
Personnel	3,050
Mileage	385
Printing and publications	370
	<u>3,805</u>
<i>Zoning:</i>	
Personnel	12,000
	<u>12,000</u>
 Total community and economic development	 <u>15,805</u>
 <i>Recreation and Culture:</i>	
<i>Parks Department:</i>	
Supplies	91
Contracted services	9,273
Repairs and maintenance	3,476
	<u>12,840</u>
 Total recreation and culture	 <u>12,840</u>
 <i>Other:</i>	
Retirement	11,770
Employer share of payroll taxes	12,888
	<u>24,658</u>
 Total other	 <u>24,658</u>
 <i>Capital outlay:</i>	
General government	8,526
Recreation and culture	574
	<u>9,100</u>
 Total capital outlay	 <u>9,100</u>
 Total expenditures	 <u>\$ 658,383</u>

# KAWKAWLIN TOWNSHIP

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

March 31, 2006

	<i>Cemetery Fund</i>	<i>River Treatment Fund</i>	<i>Liquor License Fund</i>	<i>Street Lighting Fund</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 43,821	\$ 53	\$ 210	\$ 1,152
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>186</u>
 Total assets	 <u>\$ 43,821</u>	 <u>\$ 53</u>	 <u>\$ 210</u>	 <u>\$ 1,338</u>
 <b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 22	\$ -	\$ -	\$ 220
 Total liabilities	 <u>22</u>	 <u>-</u>	 <u>-</u>	 <u>220</u>
 <b>Fund balances:</b>				
Unreserved:				
Special revenue funds	<u>43,799</u>	<u>53</u>	<u>210</u>	<u>1,118</u>
 Total fund balances	 <u>43,799</u>	 <u>53</u>	 <u>210</u>	 <u>1,118</u>
 Total liabilities and fund balances	 <u>\$ 43,821</u>	 <u>\$ 53</u>	 <u>\$ 210</u>	 <u>\$ 1,338</u>

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<i><b>Building Inspection Fund</b></i>	<i><b>Budget Stabilization Fund</b></i>	<i><b>Total Nonmajor Governmental Funds</b></i>
\$ 84,636	\$ 50,000	\$ 179,872
<u>-</u>	<u>-</u>	<u>186</u>
<u>\$ 84,636</u>	<u>\$ 50,000</u>	<u>\$ 180,058</u>
\$ 356	\$ -	\$ 598
<u>356</u>	<u>-</u>	<u>598</u>
<u>84,280</u>	<u>50,000</u>	<u>179,460</u>
<u>84,280</u>	<u>50,000</u>	<u>179,460</u>
<u>\$ 84,636</u>	<u>\$ 50,000</u>	<u>\$ 180,058</u>

# KAWKAWLIN TOWNSHIP

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<i>Cemetery Fund</i>	<i>River Treatment Fund</i>	<i>Liquor License Fund</i>	<i>Street Lighting Fund</i>
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
State grants	-	-	1,814	-
Charges for services	18,040	-	-	-
Other revenue	10,517	-	-	2,627
	<u>28,557</u>	<u>-</u>	<u>1,814</u>	<u>2,627</u>
Total revenues	<u>28,557</u>	<u>-</u>	<u>1,814</u>	<u>2,627</u>
<b>Expenditures:</b>				
Current				
General government	28,590	908	-	-
Public safety	-	-	5,000	-
Public works	-	-	-	2,738
	<u>28,590</u>	<u>908</u>	<u>5,000</u>	<u>2,738</u>
Total expenditures	<u>28,590</u>	<u>908</u>	<u>5,000</u>	<u>2,738</u>
Net changes in fund balances	(33)	(908)	(3,186)	(111)
Fund balances, beginning of year, restated	<u>43,832</u>	<u>961</u>	<u>3,396</u>	<u>1,229</u>
Fund balances, end of year	<u>\$ 43,799</u>	<u>\$ 53</u>	<u>\$ 210</u>	<u>\$ 1,118</u>

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<i><b>Building Inspection Fund</b></i>	<i><b>Budget Stabilization Fund</b></i>	<i><b>Total Nonmajor Governmental Funds</b></i>
\$ 52,399	\$ -	\$ 52,399
-	-	1,814
-	-	18,040
-	-	13,144
<u>52,399</u>	<u>-</u>	<u>85,397</u>
-	-	29,498
42,396	-	47,396
-	-	2,738
<u>42,396</u>	<u>-</u>	<u>79,632</u>
10,003	-	5,765
<u>74,277</u>	<u>50,000</u>	<u>173,695</u>
<u>\$ 84,280</u>	<u>\$ 50,000</u>	<u>\$ 179,460</u>

# KAWKAWLIN TOWNSHIP

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## FIDUCIARY FUND – AGENCY FUND

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2006

#### Property Tax Collection Fund

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>March 31, 2006</u>
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 58,922</u>	<u>\$ 3,932,993</u>	<u>\$ 3,920,008</u>	<u>\$ 71,907</u>
<b>Liabilities:</b>				
<i>Current:</i>				
Accounts payable	<u>\$ 35,142</u>	<u>\$ 534,309</u>	<u>\$ 503,514</u>	<u>\$ 65,937</u>
Due to other governmental units	<u>23,780</u>	<u>3,398,684</u>	<u>3,416,494</u>	<u>5,970</u>
 Total liabilities	<u><u>\$ 58,922</u></u>	<u><u>\$ 3,932,993</u></u>	<u><u>\$ 3,920,008</u></u>	<u><u>\$ 71,907</u></u>

# KAWKAWLIN TOWNSHIP

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

March 31, 2006

#### Fire Truck and Refinancing of Existing Fire Truck

Issue dated November 4, 2002 in the amount of       \$     492,439

Less:           Principal paid in prior years               (123,623)  
          Principal paid in current year               (57,822)

Balance payable at March 31, 2006                       \$     310,994

Balance payable as follows:

<u><i>Fiscal</i></u> <u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u> <u><i>Annual</i></u> <u><i>Requirement</i></u>
2007	3.97%	\$     60,697	\$     11,250	\$     71,947
2008	3.97%	63,151	8,796	71,947
2009	3.97%	65,705	6,243	71,948
2010	3.97%	68,361	3,586	71,947
2011	3.97%	<u>53,080</u>	<u>881</u>	<u>53,961</u>
		<u>\$     310,994</u>	<u>\$     30,756</u>	<u>\$     341,750</u>

#### Ford Fire Rescue Unit

Issue dated October 4, 2005 in the amount of       \$     23,809

Less:           Principal paid in prior years               -  
          Principal paid in current year               (1,805)

Balance payable at March 31, 2006                       \$     22,004

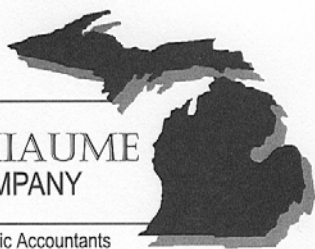
Balance payable as follows:

<u><i>Fiscal</i></u> <u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u> <u><i>Annual</i></u> <u><i>Requirement</i></u>
2007	4.14%	\$     4,461	\$       827	\$     5,288
2008	4.14%	4,649	639	5,288
2009	4.14%	4,845	443	5,288
2010	4.14%	5,049	238	5,287
2011	4.14%	<u>3,000</u>	<u>40</u>	<u>3,040</u>
		<u>\$     22,004</u>	<u>\$     2,187</u>	<u>\$     24,191</u>



**BERTHIAUME  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Township Board  
Kawkawlin Township, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kawkawlin Township, as of and for the year ended March 31, 2006, which collectively comprise Kawkawlin Township's basic financial statements and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Kawkawlin Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kawkawlin Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in note 12 in the accompanying notes to the financial statements.

This report is intended solely for the information and use of management, Township Board, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

November 1, 2006



May 31, 2006

To The Township Board  
Kawkawlin Township

We have audited the financial statements of Kawkawlin Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Kawkawlin Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kawkawlin Township are described in Note 1 to the financial statements. We noted no transactions entered into by Kawkawlin Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit. In this connection, we note the following:

The Sewer and Water Funds of the Township are not included in the Township's Basic Financial Statement. This is considered a departure from generally accepted accounting principles and we are, therefore, required to qualify our audit report with an adverse opinion.

We had to make several corrections to the beginning (3-31-05) Net Asset or Fund Balances. These changes are detailed in the notes to the financial statements.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated May 31, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants